

Start using the new European business-to-business direct debit

For new creditors

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Introduction

Why a new European business-to-business direct debit

The start of the Single Euro Payments Area (SEPA¹) marked the beginning of a new phase in our payment transactions system. Instead of each country using its own payment products and procedures, Europe developed uniform payment products for payments in euros. This makes it much easier to arrange for payments to and from the various European countries. The new European payment products will also be used in The Netherlands. The European direct debit makes it possible to carry out direct debit collections from a single account, on the basis of a single direct debit contract, both within The Netherlands and across national borders. The European business-to-business direct debit variant is exclusively developed for direct debits from business bank accounts. Banks are not obliged to have the European business-to-business direct debit in their product range. Contact your bank for more information.

What is the European business-to-business direct debit

The European business-to-business direct debit² enables you, as creditor, to arrange for amounts to be 'automatically' debited from the accounts of your business debtors and credited to your own account. Your customers do not have a right of refund. A big advantage is that you determine with certainty the date on which you receive the money.

The use of the European business-to-business direct debit is subjected to rules. For example, as creditor you must conclude a European direct debit contract with your own bank. Once this has been set up, you collect mandates from your business customers. These may be either for recurrent or one-off direct debit collections. However, to arrange this, your business customers must be in the possession of a business bank account in one of the SEPA countries. As soon as you have correctly registered the mandates, you can inform your business customers of the date on which you will start debiting their account and the amount of your debit. You then submit your business-to-business direct debit orders to your own bank. Your bank forwards these instructions to your business customers' banks. These banks then check the direct debit instructions against the mandate information that your business debtors have registered with them. If this check is successful these banks will debit the amount you have specified from the accounts concerned on the date you have chosen. They remit the amounts to your bank. Finally, your bank credits the amount received to your account.

Your business customers do not have a right of refund. They may however request their bank not to debit their account up until the day on which the payment is due. Your business customer's bank is then entitled to reverse the payment within two business days. In such a case your own bank will then debit the amount to your account. In addition to the European business-to-business direct debit, most banks also offer the standard European direct debit service. Contact your bank for more information.

**Customers have
no right of refund**

1 All countries of the European Union, supplemented with Norway, Iceland and Liechtenstein (which are members of the European Economic Area), Switzerland and Monaco.

2 Each bank may use its own name for the European direct debit, such as 'SEPA incasso', 'Euro-incasso' etc..

What you need to do

Set your own date
for the switch

Creditor Identifier
required for European
business-to-business
direct debit

Various ways of creating for
European business-to-business
direct debit

1. Gather information about the European business-to-business direct debit

Read this roadmap or go to www.betaalvereniging.nl. Contact your bank for detailed information.

2. Appoint a project manager and adopt a plan of approach

Decide who will be responsible within your own organization for arranging the migration to the European business-to-business direct debit. Often several departments are involved, such as the financial accounting department and the IT department. Draw up a plan of approach in which you decide exactly when you wish to carry out the migration. It is also possible to use the current Dutch direct debit variants and the European business-to-business direct debit side by side for some time. This would give you the opportunity for a small-scale test to determine how the European business-to-business variant works in practice before making the full migration.

3. Conclude a European business-to-business direct debit contract with your bank

You conclude a European business-to-business direct debit contract with your bank. You will receive a Creditor Identifier. The Creditor Identifier ensures that you will be recognized as creditor in a uniform manner throughout the SEPA area. You must send this identifier with every direct debit instruction. Your debtor's bank will provide your Creditor Identifier to the debtor whenever it processes a European business-to-business direct debit for you. If you change banks, you must continue using the Creditor Identifier originally issued to you. You hand over the certificate of your original Creditor Identifier to your new bank.

4. Decide how you wish to generate your direct debit orders

In due course you must be able to instruct your bank about your direct debit orders, but first you have to generate them. You can do this in various ways:

- by using internet banking or a software package of your bank;
- by using a supplier's software package;
- by using software you have developed yourself. The description of the file format XML ISO 20022 and the manual explaining how to use this when submitting instructions through a Dutch bank, can be found at www.betaalvereniging.nl.³

You should also contact your own bank for any additional information concerning the submission of European direct debit orders. It is also important to check the options regarding payment information about direct debits and refunds you receive from the bank, as well as the automatic reconciliation of such refunds in your software package.

5. Design your authorisation forms (mandates)

Before you start delivering direct debit instructions you must obtain valid mandates. Therefore you have to send your business customers a request to make their payments by means of European business-to-business direct debit in future, and to sign the enclosed mandate for this purpose. You may design the mandate yourself, but it should comply with a number of rules. At the next page you will find an overview of the obligatory elements that should, in any event, be included in a European business-to-business direct debit mandate form.

³ Check the document 'XML messages for SEPA Direct Debit Initiation Implementation Guidelines for The Netherlands'.

Mandates contain a number of obligatory elements

Mandatory elements of the European business-to-business mandates

The word SEPA

In case of recurrent direct debit collections:

- statement that the mandate is for recurrent business-to-business collections
- debtor does not have the right of refund

In case of one-off direct debit collections:

- statement that the mandate is for a single business-to-business collection
- debtor does not have the right of refund

Creditor Identifier

<to be received from the bank with which the direct debit contract is concluded>

The unique mandate reference to be entered by the creditor

<maximum of 35 alphanumeric positions. Combined with the Creditor Identifier, this is the unique reference of the mandate; You can assign this in advance when you send the mandate or afterwards, after you have received the signed mandate. In the latter case, you must inform your customer of this reference before sending the first direct debit instruction to your bank>

Standard text stating that the debtor authorises the creditor and the debtor's bank to debit his bank account

<consult the exact text as mentioned in the examples of the mandate forms in this roadmap>

Name, address, city and country creditor

IBAN debtor

BIC of the bank of the debtor

<fill out until February 1st 2016 for non-Dutch IBAN>

Name, address and city debtor

<if the creditor and debtor are not resident in the same country, specify the country as well>

Place and date of signature(s)

Signature(s) debtor

Uniform authorisation forms for single (one-off) and recurrent collections

Uniform authorisation forms for the European business-to-business direct debit

The uniform authorisation forms are available in different file-types. There is a print file for the purpose of merging customer data with mandates forms, but there is also an electronic version which can be filled individually. These, and other variants, can be downloaded from www.betalvereniging.nl.

If a creditor decides to use one of these mandate forms we recommend to inform – prior to distribution – at the bank whether this fits within the terms of the current European direct debit contract as agreed with the bank.



European business-to-business direct debit
Mandate for a single business-to-business collection

SEPA

By signing this mandate form, you authorise ABC B.V. to send a single business-to-business collection instruction to your bank to debit your account and you authorise your bank to debit your account once in accordance with the instructions from ABC B.V.

This mandate is only intended for business-to-business transactions. You are not entitled to a refund from your bank after your account has been debited, but you are entitled to request your bank not to debit your account up until the day on which the payment is due.

1. Mandate information

Creditor name : ABC B.V.

Address : Oostervaart 54

Postal code : 7831 DD City: Lelystad Country: NL

Creditor ID : N L 5 1 Z Z 4 0 5 3 6 5 3 3 0 0 0 0

Mandate reference : C o n t r a c t n r . F i t - 2 3 9 0 4 / P

Reason for payment : Levering kantoorartikelen

2. Own data

Company : *A. van den Bos B.V.*

Address : *Beethovenstraat 34*

Postal code : *3851 AF* City: *Amstelveen* Country: *NL*

Charged to IBAN : N L 9 9 B A N K 0 1 2 3 4 5 6 7 8 9 BIC*:

3. Signature

Date : *25-03-2014* Place: *Amstelveen*

Name 1 : *A. van den Bos* Name 2: _____

Signature 1 :  Signature 2: _____

* Not a mandatory field for NL IBAN

Please note! Your bank may debit the European business-to-business collection from your account only if you have registered the mandate information with your bank. Ask your bank how you can do this.

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European business-to-business direct debit
Mandate for recurrent business-to-business collections

SEPA

By signing this mandate form, you authorise
ABC B.V.

to send recurrent business-to-business collection instructions to your bank to debit your account and you authorise your bank to debit your account on a recurrent basis in accordance with the instructions from
ABC B.V.

This mandate is only intended for business-to-business transactions. You are not entitled to a refund from your bank after your account has been debited, but you are entitled to request your bank not to debit your account up until the day on which the payment is due.

1. Mandate information

Creditor name : ABC B.V.
Address : Oostervaart 54
Postal code : 7831 DD City: Lelystad Country: NL
Creditor ID : NL5122Z4053653300000
Mandate reference : Contractnr. Ft-23904/P
Reason for payment : Levering kantoorartikelen

2. Own data

Company : A. van den Bos B.V.
Address : Beethovenstraat 34
Postal code : 3851 AF City: Amstelveen Country: NL
Charged to IBAN : NL99BANK0123456789 BIC*:

3. Signature

Date : 25-03-2014 Place: Amstelveen
Name 1 : A. van den Bos Name 2:
Signature 1 :  Signature 2:

* Not a mandatory field for NL IBAN

Please note! Your bank may debit the European business-to-business collection from your account only if you have registered the mandate information with your bank. Ask your bank how you can do this.

BSEPA 090.01.11 mei 2014

The document 'Voorbeelden van machtigingsformulieren' at www.betalvereniging.nl contains an overview of all examples.

Obligatory data must be recorded digitally as well

Paper mandate must be kept as official record

Debtor must register mandate kept as official record

6. Collect mandates from your business debtors accounts

If you have received the properly signed mandates from your customers, you have to record some data digitally. You must send these data with every direct debit instruction. Data concerned are:

- Creditor Identifier. You will receive this identifier from your bank when concluding the European direct debit contract;
- unique mandate reference. This reference (in combination with your Creditor Identifier) ensures that all direct debits can be related to a specific mandate. You determine how the mandate reference is composed. However, this reference – in combination with your Creditor Identifier – should be unique, while it may consist of a maximum of 35 positions (alphanumeric). We recommend that you use existing data from your own records, for example a debtor number, a contract number or a policy number. If you have no data suitable for this purpose, you may use serial numbers;
- IBAN and BIC⁴ of your debtor. To find the accompanying IBAN and BIC, you can use the IBAN BIC Service of the joint Dutch banks. E.g. you can send a file containing Dutch bank account numbers and you will receive an enriched file containing IBAN and BIC for each bank account. More information is available at www.ibanbic.service.nl;
- name and address of the debtor; If you receive mandates from customers from abroad, you also register the country of the debtor;
- type of mandate: recurrent or one-off;
- date of signature of the mandate.

You have to record the data digitally and you have to archive the original paper mandates. The filing time is at least 14 months after a mandate has been withdrawn by a debtor. Complaints concerning an invalid debit can be filed until 13 months after the date of the direct debit. In order to settle these correctly, it is necessary that the original mandate is available.

With the European business-to-business direct debit your business relationships must not only send the mandate to you, but they are also obliged to register the mandate information with their own bank. If they forget to do so, their bank will reject any direct debit transaction they receive. Debtor banks must always check if the mandate information as received from the creditor bank meets the mandate information as registered by their clients. It is therefore recommended to include a statement on your business-to-business mandates that your business relationships must register this information also with their own bank.

⁴ Until February 1st 2016 BIC is mandatory for a non Dutch IBAN.

Additional information

Combine pre-notification
with other customer
communication

Guidelines for invoicing and pre-notification

Before you actually present the batch of the European business-to-business direct debits for processing, you have to inform your debtors in advance about the amount and the date of the collection. We advise you to mention your Creditor Identifier and the unique mandate reference as well.

The debtor bank is obliged to mention these data when debiting the account for the European business-to-business direct debit. You do not need to inform your debtors about this separately. A notification on the invoice or in another form of regular correspondence with your debtors is sufficient. You may send a separate pre-notification however most of the time an invoice or other regular correspondence with your debtors is the best solution. The European direct debit rules prescribe that you must send the invoice at least 14 days prior to the due/collection date, unless you have agreed a different period (shorter or longer) with your debtors. For example, it is possible to agree a set date (e.g. the 27th of each month) for fixed periodic amounts when the agreement is concluded. Naturally, you must give timely notice of any change in the amount and/or date. Check whether you and your debtor have agreed for a certain time limit or if you still want to capture it in this agreement or in the pre-notification.

Time limits

Points for attention when submitting European business-to-business direct debit batches

For sending the European business-to-business direct debit orders time limits apply. For both one-off and recurrent this is a least 1 business day before the desired processing date. Ask your bank about the exact time limits for supplying European direct debit batches and whether you can make a test delivery of a batch.

Switching Service operational

Switching Service

Banks in The Netherlands offer the Switching Service which makes it easier for customers to switch from one bank to another. If you submit an European direct debit batch, the bank checks whether the account numbers have been submitted to the Switching Service. If so, the bank will forward the direct debit to the new bank. The bank will specify the new account number, so that the direct debit can be performed in the usual manner. Note that this is only possible if the new bank has the European business-to-business direct debit in its range of products and if the business debtor has registered the mandate data at the new bank. You will subsequently receive notice from your own bank that the relevant account number has been changed. You will also receive the new IBAN and BIC. This notification of change is, is to be considered as a personal notification from your customer. You must enter the new data in your accounting system and file this notification of change with the original mandate. When performing the next direct debit order for the customer concerned, you must use the new account data.

Contact your customer
if the direct debit
cannot be processed

Direct debit rejected; contact your customer

It may occur that some direct debit transactions cannot be processed. In that case you receive a notification of your bank including the reason of rejection. One possible reason for rejection may be that the business debtor has not yet registered the mandate information with its own bank. In that case you should contact your customer and request him to register the mandate information after all. Another reason is that the debtor's account has been blocked for direct debits. Contact your customer in that case as well. Perhaps the account has been blocked temporarily, and you can resume the collections in the normal way for the following period. In other cases, however, you may find that the debtor is no longer willing or able to permit the direct debit. If so, then you must switch to a different means of payment.

On the next page you will find an overview of the differences between the standard European direct debit and the European business-to-business direct debit.

Differences between the standard European direct debit and the European business-to-business direct debit

Reference	Standard European direct debit	European business-to-business direct debit
To be used by	Both private and business debtors	Business debtors only
Action debtor	-	Registers the mandate before the due date by his own bank
Checks by the bank of the debtor	Does the debtor's account accept the standard European direct debit	<ul style="list-style-type: none"> • Does the debtor's account accept the European business-to-business direct debit • Has the debtor registered the mandate and thus authorised the execution of the direct debit(s) • Does the mandate information in the direct debit transaction match the mandate information as registered by the debtor by his own bank
Time limit for delivery of direct debit batches ⁵	5 business days for the desired collection date: <ul style="list-style-type: none"> • all one-off direct debit orders • the first transaction from a series of recurrent direct debit orders 2 business days before the desired processing date for: <ul style="list-style-type: none"> • all subsequent transactions from a series of recurrent direct debit orders 	1 business day before the desired collection date: <ul style="list-style-type: none"> • all direct debits orders
Time limit for refusal by the debtor	Before the collection date of the direct debit	Up to and including the day of the collection date
Refund by the bank of the debtor	Up to and including 5 business days after debit date	Up to and including 2 business days after debit date
Refund by debtor	Up to and including 8 weeks after settlement	Not permitted

⁵ Note: According to European direct debit rules, the direct debit transactions should reach the bank of the debtor within the prescribed time limits. Ask your own bank about the exact time limits for supplying European direct debit batches.

Contact

Contact your bank or visit www.betaalvereniging.nl.